LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7190
BILL NUMBER: HB 1320

NOTE PREPARED: Jan 13, 2004
BILL AMENDED:

SUBJECT: Auto Rental Excise Tax.

FIRST AUTHOR: Rep. Hasler
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes a county other than Marion County to adopt a supplemental auto rental excise tax to fund certain capital improvements. (The Marion County Supplemental Auto Rental Excise Tax exists under current law.)

Effective Date: July 1, 2004.

Explanation of State Expenditures: Under the bill, a county supplemental auto rental excise tax (CSARET) would be imposed, paid, and collected in the same manner as the state Gross Retail Tax. The Department of State Revenue would be required to notify the county auditor of the amount of taxes distributed to the county. Current cost for the Department of State Revenue to administrate, audit, and collect local taxes is approximately $0.51 per $100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: Under the bill, county councils would have the option to adopt a CSARET. Upon passage of an ordinance to impose a CSARET, a county council would be required to send a certified copy of the adopted ordinance to the Department of State Revenue. Under the bill, a county ordinance may not impose the tax for a period exceeding 30 years from the date of adoption.

Explanation of Local Revenues: Under the bill, a county council may adopt a CSARET at a rate of 5% of the gross retail income from the rental of passenger motor vehicles. The following rentals would be exempt from the tax: rentals for use in funeral services; rentals during vehicle servicing; and insurance rentals.

The Tax would be imposed, paid, and collected in the same manner as the state Gross Retail Tax. Under the bill, retail merchants would have the option of filing a separate return, filing with the current Auto Rental Excise Tax, or filing with a return for the state Gross Retail Tax. Revenue collected by the Tax would be deposited into the County Supplemental Auto Rental Excise Tax Account of the state General Fund. By the twentieth day of the month, all revenue in the account would be distributed to the adopting counties. All distributions from the account would be made upon Auditor of State warrants issued to the Treasurer of State.

If a county adopts the CSARET, the tax would become effective on the first day of a month that is at least 30 days after adoption of an ordinance imposing the tax.

According to the Department of State Revenue, approximately $5.0 M in the current Auto Rental Excise tax was distributed to Indiana counties other than Marion in CY 2003. Based on this amount, it is estimated that a 5% CSARET in all counties except Marion could generate up to an additional $5.4 M per calendar year. However, if the percentage of exempt transactions in counties other than Marion exceed the amount experienced with Marion County's CSARET, the revenue generated under this proposal could be less than $5.4 M.

Tax revenue would be used only to finance, construct, acquire, improve, renovate, remodel, or equip buildings, facilities, or improvements of general public benefit or welfare that would promote the cultural, recreational, public, or civic well-being of the community. The revenue may also be used by a county to retire bonds or repay leases entered for the above purposes. Approval of the county council would be required to expend CSARET revenue.

State Agencies Affected: Department of State Revenue; Auditor of State; Treasurer of State.

Local Agencies Affected: Counties besides Marion County.

Information Sources: Willie Gonzalez, Department of State Revenue, (317) 232-3996; Bob Walls, Department of State Revenue.

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